

2006

Parents' Election to Report Child's Interest and Dividends

3803

Attach to Parents' Form 540 or Long Form 540NR

Name(s) as shown on return

Your SSN or ITIN

Child's name (first, initial, and last)

Child's SSN or ITIN

Caution: If more than one form FTB 3803 is attached, check here ☐
Part I — Child's interest and dividend income to report on your return (The child must be under 14, see instructions).

- 1 **a** Enter your child's **taxable** interest income **1a** _____
b Enter your child's **tax-exempt** interest income. **Do not** include this amount
on line 1a **1b** _____
- 2 Enter your child's ordinary dividends. If none, enter -0-. If your child received any dividends as a nominee,
see the instructions **2** _____
- 3 Enter your child's capital gain distributions. If your child received any capital gain distributions as a nominee,
see the instructions **3** _____
- 4 Add line 1a, line 2, and line 3. If the total is \$1,700 or less, skip line 5 and line 6 and go to line 7.
If the total is \$8,500 or more, **do not** file this form. Your child **must** file his or her own return to report the income **4** _____
- 5 Base amount **5** \$ 1,700.00
- 6 Subtract line 5 from line 4. See the instructions for where to report this amount **6** _____
Go to line 7 below

Part II — Tax on the first \$1,700 of child's interest and dividend income

- 7 Amount not taxed **7** \$ 850.00
- 8 Subtract line 7 from line 4. If zero or less, enter -0- **8** _____
- 9 **Tax.** Is the amount on line 8 less than \$850?
No. Enter \$8.50 here and see the **Note** below.
Yes. Multiply line 8 by 1% (.01). Enter the result here and see the **Note** below. } **9** _____

Note: Add the amount of tax from each form FTB 3803, line 9 to any tax you enter on Form 540, line 20 or Long Form 540NR, line 20. Also fill in the circle labeled "FTB 3803" on Form 540, line 20 or Long Form 540NR, line 20.

Instructions for Form FTB 3803

Parents' Election to Report Child's Interest and Dividends

General Information

A Purpose

Parents may elect to report their child's income on their California income tax return by completing form FTB 3803. If you make this selection, the child will not have to file a return. You may report your child's income on your California income tax return even if you do not do so on your federal income tax return. You may make this election if your child meets all of the following conditions:

- Was under age 14 at the end of 2006. Note: A child born on January 1, 1993, is considered to be age 14 at the end of 2006;
- Is required to file a 2006 return;
- Had income only from interest and dividends;
- Had gross income for 2006 that was less than \$8,500;
- Made no estimated tax payments for 2006;
- Did not have any overpayment of tax shown on his or her 2005 return applied to the 2006 estimated taxes; and
- Had no state income tax withheld from his or her income (backup withholding).

As a parent, you must also qualify as explained below in Section B.

Use **Part I** to figure the amount of the child's income to report on your return. Use **Part II** to figure any additional tax that must be added to your tax.

Caution: California does not conform to the provision of the Federal Tax Increase Prevention and Reconciliation Act which increased the age of children from under 14 to under 18 for elections made by parents reporting their child's interest and dividends. If you are reporting interest or dividend income for children over age 13 for federal purposes, you may not use this form.

B Parents Who Qualify to Make the Election

You qualify to make this election if you file Form 540, California Resident Income Tax Return, or Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, and if any of the following applies to you:

- You and the child's other parent were married to each other and you file a joint return for 2006.
- You and the child's other parent were married to each other but you file separate returns for 2006 AND you had the **higher** taxable income. If you do not know if you had the higher taxable income, get federal Pub. 929, Tax Rules for Children and Dependents.
- You were unmarried, treated as unmarried for state income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree, and you had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse (your child's stepparent) do not file a joint return, you qualify to make the election only if you had **higher** taxable income than your new spouse.

Note: If you and the child's other parent were not married but you lived together during the year with the child, you qualify to make the election only if you are the parent with the **higher** taxable income.

If you elect to report your child's income on your return, you may not reduce that income by any deductions that your child would be entitled to claim on his or her own return, such as the penalty on early withdrawal of child's savings or any itemized deductions. For more information, get the instructions for federal Form 8814, Parents' Election to Report Child's Interest and Dividends.

C How to Make the Election

To make the election, complete and attach form FTB 3803 to your Form 540 or Long Form 540NR and file your return by the due date (including extensions).

File a separate form FTB 3803 for each child whose income you choose to report.

Specific Line Instructions

Name and Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN). Enter your name as shown on your return. If filing a joint return, include your spouse's name but enter the SSN or ITIN of the person whose name is shown first on the return.

Note: For more information about interest, dividends, and capital gain distributions taxable by California, refer to the instructions for Schedule CA (540), California Adjustments — Residents or Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents.

Line 1a

Enter **all** interest income taxable by California and received by your child in 2006. If, as a nominee, your child received interest that actually belongs to another person, write the amount and the initials "ND" (for "nominee distribution") on the dotted line to the left of line 1a. **Do not** include amounts received by your child as a nominee in the total entered on line 1a.

If your child received Form 1099-INT showing California tax-exempt interest or Form 1099-OID, get the instructions for federal Form 8814.

Line 1b

If your child received any interest income exempt from California tax, such as interest on United States savings bonds or California municipal bonds, enter the total tax-exempt interest on line 1b. Also include any exempt-interest dividends your child received as a shareholder in a mutual fund or other regulated investment company. **Do not** include this interest on line 1a. Refer to the instructions for Schedule CA (540 or 540NR), line 8, for more information.

Line 2

Enter ordinary dividends received by your child in 2006. Ordinary dividends should be shown on Form 1099-DIV, box 1. Also, include ordinary dividends your child received through a partnership, an S corporation, an estate, or trust.

If your child received, as a nominee, ordinary dividends that actually belong to another person, enter the amount and the initials "ND" on the dotted line to the left of line 2. **Do not** include amounts received as a nominee in the total for line 2.

Line 3

Enter the capital gain distributions taxable by California and received by your child in 2006. Capital gain distributions should be shown on Form 1099-DIV, box 2a. Also, see the instructions for line 6. If your child received, as a nominee, capital gain distributions that actually belong to another person, enter the amount and the initials "ND" on the dotted line to the left of line 3. Do not include amounts received as a nominee in the total for line 3.

Line 6

If the total amount on line 6 of all form(s) FTB 3803 is **less** than the total amount on line 6 of all your federal Form(s) 8814, enter the difference on Schedule CA (540 or 540NR), line 21f, column B. Also write "FTB 3803" on Schedule CA (540 or 540NR), line 21f.

If the total amount on line 6 of all form(s) FTB 3803 is **more** than the total amount on line 6 of all your federal Form(s) 8814, enter the difference on Schedule CA (540 or 540NR), line 21f, column C. Also write "FTB 3803" on Schedule CA (540 or 540NR), line 21f.

Exception: If the difference between the California and Federal amounts is not Qualified Dividend income, then you will need to make a Schedule CA adjustment. However, if the difference between California and Federal is the result of Qualified Dividend Income, then no Schedule CA adjustment is necessary.

Exception: If the difference between the California and Federal is not income from Post-May 5, 2003, capital gain distributions, then you will need to make a Schedule CA adjustment. However, if the difference between California and Federal is the result of Post-May 5, 2003, capital gain distributions, then no Schedule CA adjustment is necessary.

If you did not file federal Form 8814, enter the amount from form FTB 3803, line 6, on Schedule CA (540 or 540NR), line 21f, column C. Also write "FTB 3803" on Schedule CA (540 or 540NR), line 21f.

If your child received capital gain distributions (shown on Form 1099-DIV, box 2a and box 2b) and you have other gains or losses to report on your Schedule D, California Capital Gain or Loss Adjustment, you must report part or all of your child's capital gain distributions on your Schedule D instead of on form FTB 3803, line 6. Get federal Pub. 929 for details on how to figure the amount to report on your Schedule D.

Line 9

Add the amount of tax from each form FTB 3803, line 9 to any tax you enter on Form 540, line 20 or Long Form 540NR, line 20. Also fill in the circle labeled "FTB 3803" on Form 540, line 20 or Long Form 540NR, line 20.